

**Assembly Joint Resolution No. 34**

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Adopted in Assembly April 7, 2014

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*Chief Clerk of the Assembly*

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Adopted in Senate April 24, 2014

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*Secretary of the Senate*

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This resolution was received by the Secretary of State this  
\_\_\_\_\_ day of \_\_\_\_\_, 2014, at \_\_\_\_\_  
o'clock \_\_\_\_M.

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*Deputy Secretary of State*

## RESOLUTION CHAPTER \_\_\_\_\_

Assembly Joint Resolution No. 34—Relative to Terrorism Risk Insurance.

## LEGISLATIVE COUNSEL'S DIGEST

AJR 34, Cooley. Terrorism risk insurance.

This measure would, among other things, urge the President and Congress of the United States to take action as soon as possible to extend the Terrorism Risk Insurance Program Reauthorization Act of 2007 to protect the California and national economies.

WHEREAS, Insurance helps protect the California economy from the adverse effects of the risks inherent in economic growth and development while also providing the resources necessary to rebuild physical and economic infrastructure, offers indemnification for business disruption, and provides coverage for medical and liability costs from injuries and loss of life in the event of catastrophic losses to persons or property; and

WHEREAS, The terrorist attacks of September 11, 2001, resulted in claims paid by insurers to their policyholders eventually totaling some \$32.5 billion, making this the second most costly insurance event in United States history; and

WHEREAS, The sheer enormity of the loss, combined with the possibility of future attacks, produced financial shockwaves that shook insurance markets causing insurers and reinsurers to exclude coverage arising from acts of terrorism from virtually all commercial property and liability policies; and

WHEREAS, The lack of terrorism insurance contributed to a paralysis in the state and national economies, especially in construction, tourism, business travel, and real estate finance; and

WHEREAS, The United States Congress originally passed the Terrorism Risk Insurance Act of 2002 (TRIA) (Public Law 107-297), in which the federal government partnered with commercial property-casualty insurers on a shared loss program that provided the certainty and stability needed to reestablish a functional private market for terrorism risk insurance, and reauthorized this arrangement through the Terrorism Risk

Extension Act of 2005 (Public Law 109-144) and the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA) (Public Law 110-160); and

WHEREAS, TRIPRA and its predecessors have fostered private market participation, and therefore, have limited taxpayer exposure; and

WHEREAS, Under TRIPRA the shared loss program is triggered only after industrywide losses attributable to annual certified terrorism events exceed \$100 million; and

WHEREAS, Quota share coverage under TRIPRA is provided to individual insurers after the insurer has incurred losses related to terrorism equal to 20 percent of the insurer's previous year earned premium for property-casualty lines; and

WHEREAS, After an individual insurer has reached that threshold, the insurer pays 15 percent of residual losses and the federal government pays the remaining 85 percent; and

WHEREAS, The Terrorism Risk Insurance Program has an annual cap of \$100 billion of aggregate insured losses, beyond which neither the federal government or commercial property-casualty insurers have any responsibility for terrorism losses for those insurance lines covered by TRIPRA; and

WHEREAS, Without question, TRIPRA and its predecessors are the principal reason for the continued stability in the insurance and reinsurance market for terrorism insurance to the benefit of California's economy; and

WHEREAS, Absent an extension by Congress, TRIPRA will expire on December 31, 2014; and

WHEREAS, The National Association of Insurance Commissioners (NAIC) has "not seen evidence that the insurance marketplace is capable or willing to voluntarily take on a substantial portion of the risk of providing coverage of acts of terrorism"; and

WHEREAS, The threat of a large-scale terrorist attack in the United States is still high and, according to experts, is concentrated in five metropolitan areas nationwide with two of them, the San Francisco and Los Angeles areas, in California; and

WHEREAS, Failure by Congress to extend TRIPRA would likely result in insurers individually managing, and potentially reducing, their exposure to terrorism risk, and according to Fitch Ratings, failure to extend TRIPRA "could induce commercial

insurers to retreat from larger metropolitan areas, reducing availability of coverage and raising premiums”; and

WHEREAS, Without adequate terrorism insurance coverage, banks will not extend loans for commercial transactions, such as mortgages, construction projects, and other capital-intensive initiatives; and

WHEREAS, The lack of private terrorism insurance to cover losses from future terrorist attacks may require the federal government to cover those losses without the benefit of the private market share of losses established under TRIPRA; and

WHEREAS, Without the encouragement of private market participation established by TRIPRA, a limited availability of insurance against terrorism would have a severe adverse effect on California’s economy as financiers might be reluctant to lend, businesses might be reluctant to invest, and commercial consumers might be unable to afford insurance in the state’s major population centers; now, therefore, be it

*Resolved by the Assembly and the Senate of the State of California, jointly,* That we urge the President and the Congress of the United States to support a long-term extension of TRIPRA; and be it further

*Resolved,* That we urge the President and the Congress of the United States to take action as soon as possible to extend TRIPRA; and be it further

*Resolved,* That the Chief Clerk of the Assembly transmit copies of this resolution to the President and Vice President of the United States, to the Speaker of the House of Representatives, to the Majority Leader of the Senate, and to each Senator and Representative from the State of California in the Congress of the United States.







Attest:

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*Secretary of State*